

# TRS Plan 1 Does Working Beyond 30 Years Affect My Benefit?

The actual provisions governing the Post 30-Year Program are contained in the Revised Code of Washington (RCW) Chapter 41.32 RCW. This publication is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this publication and what is contained in the law, the applicable law will govern.

## How working past 30 years affects your benefit

When you work more than 30 years, your monthly retirement benefit is influenced by three factors:

- Whether or not you withdraw your contributions at retirement and the amount you withdraw.
- The amount of any salary increases.
- Whether or not you choose to participate in the Post 30-Year Program (covered in this brochure).

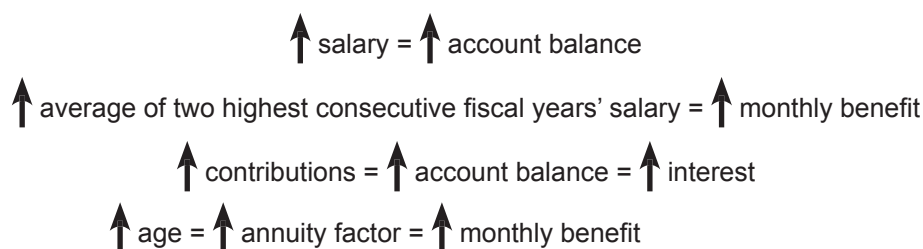
If you work beyond 30 years, the amount of your monthly benefit declines only if you choose to withdraw your contributions and you receive only minimal salary increases. When you work beyond 30 years, your benefit is affected in three ways:

- Interest at 5.5 percent continues to accrue to your account balance.
- There is a larger sum available to withdraw because you continue to contribute.
- If you make a withdrawal at retirement, the amount you withdraw is converted into an annuity. The annuity determination is used to reduce your monthly Teachers Retirement System (TRS) Plan 1 retirement benefit.

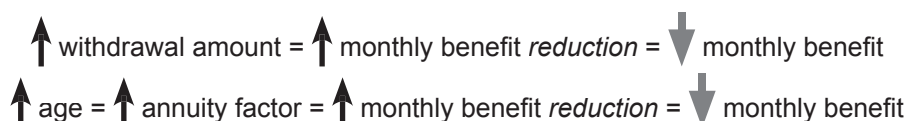
If you withdraw all or part of your account balance, your TRS monthly benefit will be reduced to reflect the amount of annuity you could have purchased with the funds. Annuities are based on the purchase amount and your age. The older you are at retirement, the larger the monthly annuity. The more you withdraw from your account, and the higher your age at retirement, the more your monthly TRS benefit will be reduced. Receipt of the withdrawn funds represents the same value of benefit, but receipt at retirement is in lieu of payment over your lifetime.

## Relationships between the factors that influence your benefit

As the section above describes, there are multiple factors that influence the amount of your retirement benefit. By considering the relationships between these factors, you can plan the best strategy to maximize your retirement income. The general equations below are provided to help you understand the relationships between the factors that influence your TRS Plan 1 retirement benefit. (Note: The up and down arrows simply represent higher and lower relative values.)



Furthermore, if you choose to withdraw funds:



## How working past 30 years affects your benefit

In addition, your monthly benefit depends on the continuing benefit option you choose for your spouse, if any, and the age difference between you and your spouse. See your *TRS Plan 1 Member Handbook* for details about continuing benefit options.

### The Post 30-Year Program

TRS Plan 1 members who accumulate 30 years of service credit may elect to participate in the Post 30-Year Program.

If you elect to participate, you make an **irrevocable** decision to have post 30-year contributions placed in a separate, refundable account that earns 7.5 percent interest annually (compounded quarterly). The refunded contributions and interest from this account will not reduce your monthly retirement benefit. However, your Average Final Compensation (AFC) at retirement will be based on the highest two consecutive fiscal years (July 1 - June 30) of compensation earned before you made the election.

To participate in the Post 30-Year Program, your service credit must be earned in TRS Plan 1; dual membership credits do not apply.

### Election Deadline

**You have six months** from the month you accumulate 30 years to choose to participate in the program. Beginning the month after the Department of Retirement Systems (DRS) receives your election form, all future contributions will be posted to the refundable account earning 7.5 percent. Any contributions made after you accumulate 30 years, and prior to your election, will **not** be posted to the separate refundable account. Once DRS receives your election form, your decision is **irrevocable**.

If you do not make the election within six months after the month you accumulate 30 service credit years, you no longer have the option to participate in the program. Your AFC at retirement will be based on the highest two consecutive fiscal years (July 1 - June 30) of your career and all contributions will remain in your original retirement account.

### Eligibility

DRS will send you a letter a few months before you earn 30 years of service credit. The letter will include contact information to request an estimate based on your TRS account information and projected annual salary. An estimate can help you understand how participating in the Post 30-Year Program could affect your monthly retirement benefit.

### Making a decision

Making the decision whether or not you should participate in the Post 30-Year Program will depend on your individual circumstances. The factors that should influence your decision are outlined in this brochure. All the factors that influence your monthly TRS Plan 1 retirement benefit, as outlined on the previous page, should also be considered as you decide if you want to participate in the Post 30-Year Program. The examples on the following pages are provided to help you understand how participating in the program can affect the amount of your total TRS retirement benefit.

## How working past 30 years affects your benefit - examples:

The following examples show participating in the Post 30-Year Program affects the benefit of a member named Shannon. Shannon attained 30 years of service credit in July 2003, at age 54. Her monthly benefit was calculated as follows:

Years of service credit: 30

Salary highest two consecutive fiscal years: \$48,000 and \$49,000

**Average Final Compensation (AFC): \$48,500**

**2 Percent Formula:**  $2\% \times 30 \text{ years} \times \$48,500 / 12 = \$2,425 \text{ per month}$

	Did NOT elect Post 30-Year Program	DID elect Post 30-Year Program
Shannon retires at age 55 in July 2004, after receiving an annual pay increase of \$1,000 for her final year	<p>Years of service credit: 31</p> <p>Salary for two highest fiscal years: \$49,000 and \$50,000</p> <p><b>Average Final Compensation (AFC): \$49,500</b></p> <p><b>2 Percent Formula:</b>  <math>2\% \times 30^* \text{ years} \times \\$49,500 / 12 = \\$2,475 \text{ per month}</math></p>	<p>Years of service credit: 31</p> <p>Salary for two highest fiscal years: \$49,000 and \$50,000</p> <p><b>Average Final Compensation (AFC): \$48,500**</b></p> <p><b>2 Percent Formula:</b>  <math>2\% \times 30^* \text{ years} \times \\$48,500 / 12 = \\$2,425 \text{ per month}</math></p> <p><b>Refund of Contributions and Interest</b>            Shannon earned \$50,000 and paid contributions at 6 percent for a total of \$3,000. She receives interest at 7.5 percent annually (compounded quarterly) for a total of \$85.43 for the year.</p> <p><b>Total Refund: \$3,085.43</b> (contributions and interest)</p>
Shannon retires at age 56 in July 2005, after receiving annual pay increases of \$1,000 each year, for her final two years	<p>Years of service credit: 32</p> <p>Salary for two highest fiscal years: \$50,000 and \$51,000</p> <p><b>Average Final Compensation (AFC): \$50,500</b>            (Shannon's AFC increases because of the additional \$1,000 pay raise.)</p> <p><b>2 Percent Formula:</b>  <math>2\% \times 30^* \text{ years} \times \\$50,500 / 12 = \\$2,525 \text{ per month}</math></p>	<p>Years of service credit: 32</p> <p>Salary for two highest fiscal years: \$50,000 and \$51,000</p> <p><b>Average Final Compensation (AFC): \$48,500**</b></p> <p><b>2 Percent Formula:</b>  <math>2\% \times 30^* \text{ years} \times \\$48,500 / 12 = \\$2,425 \text{ per month}</math></p> <p><b>Refund of Contributions and Interest</b>            Shannon earned \$50,000 in her 31st year and \$51,000 in her 32nd year. She paid contributions at 6 percent for a total of \$6,060. She receives interest at 7.5 percent annually (compounded quarterly) for a total of \$410.58.</p> <p><b>Total Refund: \$6,470.58</b> (contributions and interest)</p>

\* Under the 2 percent formula, the maximum benefit amount of 60 percent of AFC is reached at 30 years.

\*\* Shannon's AFC was based on earnings prior to the month of election.

## How working past 30 years affects your benefit - examples:

Another factor to consider when deciding if you should participate in the Post 30-Year Program is whether or not you expect to withdraw from your account balance at retirement.

The examples below are the same as on the previous page, with the addition of the affects of a withdrawal from the account balance (contributions plus 5.5 percent interest). In the examples below, Shannon withdrew all of her TRS account balance at retirement.

	Did NOT elect Post 30-Year Program	DID elect Post 30-Year Program
Shannon retires at age 56 in July 2005, after receiving annual pay increases of \$1,000 each year, for her final two years	<p>Years of service credit: 32 Salary for two highest fiscal years: \$50,000 and \$51,000 <b>Average Final Compensation (AFC):</b> \$50,500</p> <p><b>2 Percent Formula:</b> <math>2\% \times 30 \text{ years} \times \\$50,500/12 = \\$2,525 \text{ per month}</math></p> <p><b>Withdrawal at retirement:</b> <b>\$115,000</b> (entire account balance at retirement)</p> <p><b>Subsequent reduction in monthly benefit:</b> <math>\\$115,000 \times 0.0075749^* = \\$871 \text{ reduction}</math></p> <p><b>Resulting monthly benefit after withdrawal:</b> <math>\\$2,525 - \\$871 = \textbf{\\$1,654 per month}</math></p>	<p>Years of service credit: 32 Two highest fiscal year salaries: \$50,000 and \$51,000 <b>Average Final Compensation (AFC):</b> \$48,500**</p> <p><b>2 Percent Formula:</b> <math>2\% \times 30 \text{ years} \times \\$48,500/12 = \\$2,425 \text{ per month}</math></p> <p><b>Withdrawal at retirement:</b> <b>\$109,000***</b> (entire account balance at retirement)</p> <p><b>Subsequent reduction in monthly benefit:</b> <math>\\$109,000 \times 0.0075749^* = \\$826 \text{ reduction}</math></p> <p><b>Resulting monthly benefit after withdrawal:</b> <math>\\$2,425 - \\$826 = \textbf{\\$1,599 per month}</math></p> <p><b>Refund of Contributions and Interest</b> Shannon earned \$50,000 in her 31st year and \$51,000 in her 32nd year. She paid contributions at 6 percent for a total of \$6,060. She receives interest at 7.5 percent annually (compounded quarterly) for a total of \$410.58.</p> <p><b>Total Refund: \$6,470.58</b> (contributions and interest)</p>

\* The annuity factor is based on Shannon's age at retirement. Annuity factors increase with age (life expectancy decreases).

\*\* Shannon's AFC was based on earnings prior to the month of election.

\*\*\* Shannon's account balance was lower because, like her AFC, it was based on earnings prior to the month of election.

As you can see, withdrawal from your TRS account will affect your monthly benefit. If you do not make a withdrawal at retirement, your monthly benefit will not be reduced by the annuity factor that corresponds to your age at retirement. Similarly, if you withdraw only part of your account balance at retirement, the reduction factor will only be applied to the amount you withdraw.

By changing the amount you withdraw, you can affect the amount of the annuity reduction. For example, if Shannon had only withdrawn \$75,000 of her account balance at retirement, the annuity reduction would be only \$568, subsequently increasing her monthly TRS benefit in both of the examples above. If she did *not* elect the Post 30-Year program her monthly benefit would be \$1,957, if she *did* elect the program her benefit would be \$1,857 each month.

## How working past 30 years affects your benefit:

In addition to the examples on the previous pages, it is important to understand:

If you choose to participate in the Post 30-Year Program, for every month you wait to elect to participate (up to the allowable six months), your retirement contributions for those months will **not** be placed in the refundable account. This is because only contributions made **after** DRS receives your election form will be posted to the refundable account.

For example, if Shannon had waited five months from when she attained 30 years of service credit, then elected to participate in the program, approximately \$1,250 in contributions (\$250 monthly) plus interest would not have been included in the refundable account.

If Shannon had elected the Post 30-Year Program as soon as she was eligible, the \$1,250 plus interest would have been added to her refundable account, and refunded at retirement.

You can see how increasing your salary after 30 years can make a difference in your monthly retirement benefit. If your AFC will **not** increase after 30 years, it may be to your advantage to participate in the Post 30-Year Program. If you are not sure of your future earnings, it is recommended that you discuss the decision with a financial advisor. ***Remember, once DRS receives your election form, your decision is irrevocable!***

If you would like a Post 30-Year estimate of benefits based on your current account information and your expected salary for the next five years, complete and return the enclosed *Request for Post 30-Year Program Benefit Estimate*, or contact DRS. When contacting DRS, be sure to tell the department that you are requesting a Post 30-Year estimate. Be prepared to provide:

- Your Social Security Number.
- Your signature (for written correspondence).
- Your daytime telephone number.
- Your mailing address.
- When you plan to retire.
- Your current annual salary.
- Your projected salary for the next five years.
- Expected vacation leave cash out (administrators only).
- Birth date of survivor option beneficiary.

### **Send mail to:**

Department of Retirement Systems  
PO Box 48380  
Olympia, WA 98504-8380

### **Call:**

Toll-free at 1-800-547-6657  
Olympia area call (360) 664-7000

### **E-mail:**

[recep@drs.wa.gov](mailto:recep@drs.wa.gov)

**DRS**  
DEPARTMENT OF  
RETIREMENT  
SYSTEMS



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# Request for Post 30-Year Program Benefit Estimate (TRS Plan 1)

Toll Free: 1-800-547-6657  
Local: 360-664-7000  
TDD: 360-586-5450

Complete (type or print) all requested information, sign, date and return this form to DRS. **Note:** This is **not** an election form, DRS will include a form for election to participate in the Post 30-Year Program with your benefit estimate.

Last name		First name	Middle name	Social Security Number	
Telephone Number (Daytime)		Telephone Number (Evening)		Birth Date	
Street					
City				State	Zip
Current Employer			Your Position		

1. Have you previously retired under Washington State Teacher's Retirement System (TRS)? ☐ Yes ☐ No

2. What is your estimated last day of service? \_\_\_\_\_  
month / day / year

3. What was your total compensation for the most recently completed contracted year? \_\_\_\_\_

4. What is your projected total compensation for each year after the year entered in #3, until you retire?

\$\_\_\_\_\_ \$\_\_\_\_\_ \$\_\_\_\_\_ \$\_\_\_\_\_ \$\_\_\_\_\_

5. What is your vacation leave cash out (if applicable) on your last day of service? \$\_\_\_\_\_

6. What is the date of birth for your continuing beneficiary?  
(TRS will calculate benefit estimates under all benefit payment options.) \_\_\_\_\_  
month / day / year

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date signed

**Return completed form to the Department of Retirement Systems  
PO Box 48380, Olympia, WA 98504-8380**

This form requests that you provide your Social Security Number. Internal Revenue Code Sections 6041 (A), and 6109 authorize the Department of Retirement Systems (DRS) to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.
- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- DRS will not disclose your Social Security Number to any party unless required by law.

